

CHASSELL TOWNSHIP SCHOOLS
CHASSELL, MICHIGAN

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

June 30, 2007

CHASSELL TOWNSHIP SCHOOLS

JUNE 30, 2007

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Principal	George Stockero

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Chassell Township Schools
Chassell, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chassell Township Schools as of and for the year then ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chassell Township Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chassell Township Schools as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2007 on our consideration of Chassell Township Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 9 through 15 and 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Chassell Township Schools' basic financial statements. The additional information on pages 35 to 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukhila, CPA, PC

Certified Public Accountants

October 11, 2007



Bruce A Rukkila, CPA, PC



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Chassell Township Schools
Chassell, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chassell Township Schools as of and for the year then ended June 30, 2007, which collectively comprise the Chassell Township Schools' basic financial statements and have issued our report thereon dated October 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chassell Township Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chassell Township Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chassell Township Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chassell Township Schools internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Chassell Township Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Chassell Township Schools' financial statements is more than inconsequential and will not be prevented or detected by Chassell Township Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Chassell Township Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school district's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukhila, CPA, PC

Certified Public Accountants

October 11, 2007

Chassell Township Schools
Management's Discussion and Analysis
June 30, 2007

This section of Chassell Township Schools annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

Financial Highlights

The District's General Fund ended the year within budget. However, the fund balance decreased by \$358,968 to \$843,878. This is the fifth consecutive year that the fund balance decreased. Expenditures and transfers out for the General Fund totaled \$2,677,094 and revenue and transfers in totaled \$2,318,126, compared to \$2,535,401 and \$2,311,901 last year.

The District's enrollment decreased again this year. Last year the fall count was 289 and this year it was 282. This has a negative affect on the amount of foundation grant. However, the decrease in the foundation grant was offset by a \$210/pupil increase in the foundation allowance and money received from the State for declining enrollment and an equity payment.

The main reasons for the increase in expenditures are increases in salaries, health insurance premiums, and the retirement rate. Health insurance premium for teachers increased from \$1,150 month to \$1,182 per month, representing a 2.8% increase. The retirement rate increased from 12.17% to 17.74%. That corresponds to a 5.57% increase. The District continues to monitor expenses closely and to look at ways to increase enrollment.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Overview of the Financial Statements - Continued

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Retirement Fund, Capital Project Fund, School Food Service Fund, and Athletic Fund.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Retirement Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.
- Other supplementary information provides detailed information about the General, Capital Projects, School Food Service, and Athletic Funds.

Chassell Township Schools
Management's Discussion and Analysis
June 30, 2007

Summary of Net Assets

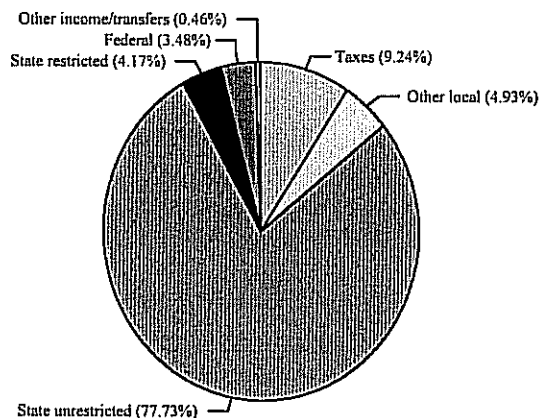
	2007	2006
Assets		
Current and other assets	\$ 1,221,765	\$ 1,556,732
Restricted investments	54,565	147,120
Capital assets - Net of accumulated depreciation	2,622,275	2,741,513
Total Assets	<u>\$ 3,898,605</u>	<u>\$ 4,445,365</u>
Liabilities		
Current liabilities	\$ 637,225	\$ 790,594
Long-term liabilities	2,682,369	2,741,899
Total Liabilities	<u>3,319,594</u>	<u>3,532,493</u>
Net Assets		
Invested in property and equipment - net of related debt	(298,131)	(486,237)
Restricted	73,360	147,120
Unrestricted	803,782	1,251,989
Total net assets	<u>579,011</u>	<u>912,872</u>
Total Liabilities and Net Assets	<u>\$ 3,898,605</u>	<u>\$ 4,445,365</u>

Results of Operations in Governmental Activities

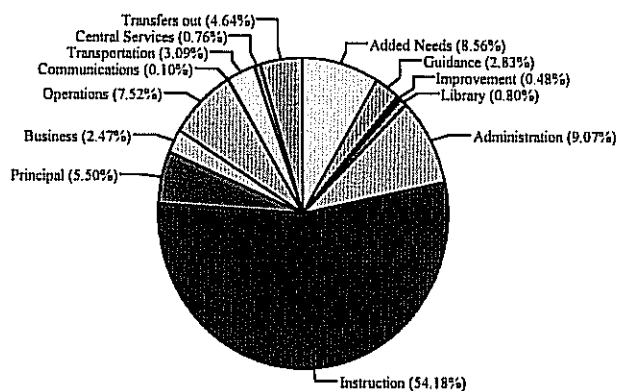
	2007	2006
Program Revenue:		
Charges for services	\$ 91,253	\$ 132,965
Grants and contributions	248,200	253,203
General Revenue:		
Taxes	544,965	474,242
State foundation allowance	1,801,764	1,788,096
Other	97,209	81,284
Total Revenue	<u>2,783,391</u>	<u>2,729,790</u>
Functions/Program Expenses		
Instruction	1,920,423	1,691,275
Support services	895,007	817,315
Capital projects	9,990	51,710
School food services	143,743	148,839
Athletics	64,461	67,335
Interest on long-term debt	120,639	119,397
Other debt	245	225
Total Expenses	<u>3,154,508</u>	<u>2,896,096</u>
Change in Net Assets	(371,117)	(166,306)
Net Assets - Beginning	<u>950,128</u>	<u>1,079,178</u>
Net Assets - Ending	<u>\$ 579,011</u>	<u>\$ 912,872</u>

The following charts highlight the District's General Fund activities:

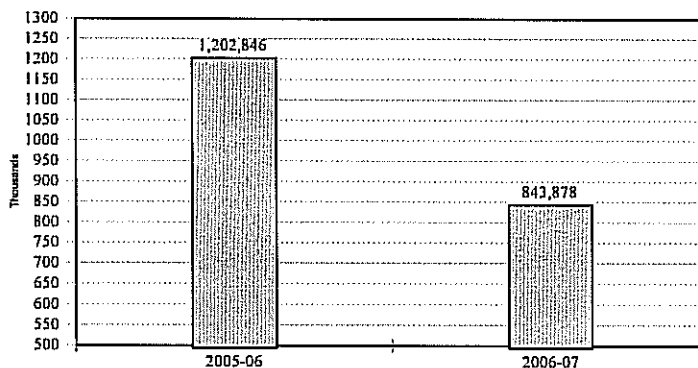
Revenues



Expenditures



Fund Balance Comparison



Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 2,318,126	\$ 2,311,847	\$ 6,279
Expenditures/Transfers	\$ 2,677,094	\$ 2,535,401	\$ 141,693
Fund Balance	\$ 843,878	\$ 1,202,846	\$ (358,968)
Debt Retirement Fund:			
Revenues/Transfers	\$ 335,601	\$ 313,936	\$ 21,665
Expenditures/Transfers	\$ 427,520	\$ 210,200	\$ 217,320
Fund Balance	\$ 73,360	\$ 165,279	\$ (91,919)
Capital Projects Fund:			
Revenues/Transfers	\$ 52,135	\$ 53,962	\$ (1,827)
Expenditures/Transfers	\$ 9,990	\$ 51,710	\$ (41,720)
Fund Balance	\$ 126,549	\$ 84,404	\$ 42,145
School Food Service Fund:			
Revenues/Transfers	\$ 141,819	\$ 150,907	\$ (9,088)
Expenditures/Transfers	\$ 141,819	\$ 150,907	\$ (9,088)
Fund Balance	\$ 0	\$ 0	\$ 0
Athletic Fund:			
Revenues/Transfers	\$ 59,112	\$ 61,986	\$ (2,874)
Expenditures/Transfers	\$ 59,112	\$ 61,986	\$ (2,874)
Fund Balance	\$ 0	\$ 0	\$ 0

General Fund - The main changes in general fund revenue were from increases in taxes, state aid, private contributions, and investment revenue with decreases in At-Risk revenue.

Debt Retirement Fund - The Debt Retirement Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bond issue-related debt of the District. This is the third year the District did not have to borrow from the School Bond Loan Fund in order to make the interest and principal payments.

The increase in expenditures/transfers is the result of making an extra payment to the School Bond Loan Fund for accrued interest in the amount of \$220,000.

Capital Projects Fund - The Capital Projects Fund is used for the purpose of setting aside money from the General Fund for future capital purchases, e.g. a bus purchase every other year, building repairs and improvements, and technology updates. By doing this, when a major capital purchase is needed, all the money does not have to come out of the General Fund at one time. This year, security cameras were purchased through the Capital Projects Fund.

School Food Service Fund - The Food Service program for the District has required operating transfers from the General Fund in recent years. Transfers from General Fund for June 30, 2007 and 2006, were \$11,387 and \$11,820 respectively.

Athletic Fund - The Athletic Fund is supported primarily by operating transfers from the General Fund. This fund also collects revenues in the form of gate receipts. Transfers from General Fund for June 30, 2007 and 2006, were \$48,925 and \$51,287 respectively. These transfers do not reflect any transportation expenditures.

Changes to Budget and Comparison to Actual Results

The original budget is required to be adopted before the beginning of the fiscal year by State law. For the fiscal year ended June 30, 2007, the original budget was adopted on June 12, 2006. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances, therefore the District amends the budget twice during the fiscal year.

The increased amount budgeted for local revenue is due mainly to a combination of interest income being higher than originally budgeted and tax revenue lower than expected.

The final total budgeted state revenue is close to the original total budgeted amount. The difference is due to increases and decreases in the various state aid revenue sections.

The increase of the federal revenue budget was a larger allocation of REAP funds and the award of additional grants, which included a grant for the robotics team from NASA and a Learn & Serve grant to help facilitate service learning in the District.

During the year, the Board of Education and the Chassell Education Association agreed to a severance package, the expense for the current year was \$18,000 for those that retired increasing the instructional salary budget. More information regarding the severance package can be reviewed on page 25 of this report. The other part of the instructional budget increase was for \$34,061 computer lab, this is detailed below with the capital assets.

The supporting services budget was increased in various line items with the actual coming within our original budget due mostly to controlling costs in the operation and maintenance and transportation expenditures.

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets increased by \$34,061 during the fiscal year with the purchase of a computer lab that was funded in part by a contribution from the Chassell Township Schools Foundation.

Additional information on the District's capital assets can be found on page 27 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total debt was \$2,725,735. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$135,708 during the fiscal year.

Additional information on the District's long-term debt can be found on page 28 and 29 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

Our elected officials and administration consider many factors when setting the School District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

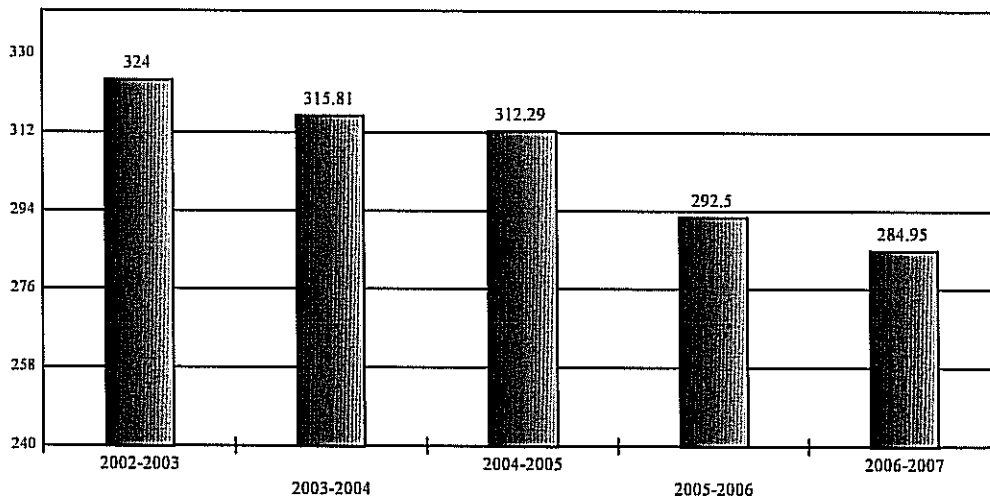
State revenues received by Michigan school districts are approved annually in a State Aid Act. This Act, approved by the State Legislature, provided a foundation amount (amount per student) of \$7,085 for the 2006-07 school year.

Approximately 78 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations (Continued)

The graph depicts 2.6% decline in the number of students enrolled from the previous year, using the State Aid Membership Count.

State Aid Membership Count



Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Chassell Township Schools.

CHASSELL TOWNSHIP SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 336,020
Investments	501,255
Taxes receivable	36,214
Accounts receivable	20,753
Inventory	6,431
Prepaid expense	2,769
Due from other governmental units	<u>318,323</u>
TOTAL CURRENT ASSETS	<u>1,221,765</u>
NON-CURRENT ASSETS:	
Restricted cash	363
Restricted investments	54,202
Capital assets	4,382,920
Less: Accumulated depreciation	<u>(1,760,645)</u>
TOTAL NON-CURRENT ASSETS	<u>2,676,840</u>
TOTAL ASSETS	<u>\$ 3,898,605</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 29,329
Accrued expenses	200,099
Accrued interest	194,671
Deferred revenue	3,115
Current portion of retirement incentive	74,303
Notes payable within one year	708
Bonds payable within one year	<u>135,000</u>
TOTAL CURRENT LIABILITIES	<u>637,225</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	1,810,000
Installment loans payable, due in more than one year	1,770
Compensated sick and retirement incentive	92,342
School Bond Loan Fund payable	<u>778,257</u>
TOTAL NON-CURRENT LIABILITIES	<u>2,682,369</u>
TOTAL LIABILITIES	<u>3,319,594</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(298,131)
Restricted for debt service	73,360
Unreserved	<u>803,782</u>
TOTAL NET ASSETS	<u>579,011</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,898,605</u>

The accompanying notes to financial statements are an integral part of this statement.

CHASSELL TOWNSHIP SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Government Activities:				
Instruction and instructional support	\$ 1,920,423	\$ 20,350	\$ 177,322	\$ (1,722,751)
Support services	895,007	-	-	(895,007)
Capital Projects	9,990	-	1,162	(8,828)
School food service	143,743	60,716	69,716	(13,311)
Athletics	64,461	10,187	-	(54,274)
Interest on long-term debt	120,639	-	-	(120,639)
Other debt service	245	-	-	(245)
Total Governmental Activities	<u>\$ 3,154,508</u>	<u>\$ 91,253</u>	<u>\$ 248,200</u>	<u>(2,815,055)</u>
General Revenues:				
Property taxes, levied for general operations				214,120
Property taxes, levied for debt service				328,125
Other taxes				2,720
State school aid - unrestricted				1,801,764
Interest and investment earnings				49,428
Other				50,899
Transfers				<u>(3,118)</u>
Total general revenues and transfers				<u>2,443,938</u>
Change in Net Assets				(371,117)
Net Assets - Beginning				<u>950,128</u>
Net Assets - Ending				<u>\$ 579,011</u>

The accompanying notes to financial statements are an integral part of this statement.

CHASSELL TOWNSHIP SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	General	Debt Retirement Fund	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 334,335	\$ -	\$ 1,685	\$ 336,020
Restricted cash	-	363	-	363
Investments	401,255	-	100,000	501,255
Restricted investments	-	54,202	-	54,202
Taxes receivable	17,419	18,795	-	36,214
Accounts receivable	19,971	-	782	20,753
Inventory	-	-	6,431	6,431
Prepaid expense	2,189	-	580	2,769
Due from other governmental units	317,473	-	850	318,323
Due from other funds	1,486	-	28,728	30,214
TOTAL ASSETS	\$ 1,094,128	\$ 73,360	\$ 139,056	\$ 1,306,544
LIABILITIES:				
Accounts payable	\$ 24,681	\$ -	\$ 4,648	\$ 29,329
Accrued expenses	195,162	-	4,937	200,099
Due to other funds	28,728	-	1,486	30,214
Deferred revenue	1,679	-	1,436	3,115
TOTAL LIABILITIES	250,250	-	12,507	\$ 262,757
FUND BALANCES:				
Reserved	-	73,360	-	\$ 73,360
Unreserved	843,878	-	126,549	970,427
TOTAL FUND BALANCES	843,878	73,360	126,549	1,043,787
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,094,128	\$ 73,360	\$ 139,056	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,622,275
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(2,892,380)
Accrued interest is not included as a liability in governmental funds.	(194,671)
Net assets of governmental activities	<u>\$ 579,011</u>

The accompanying notes to financial statements are an integral part of this statement.

CHASSELL TOWNSHIP SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended June 30, 2007

	General Fund	Debt Retirement Fund	Other Non-major Governmental Funds	Totals
REVENUES:				
Local sources	\$ 328,360	\$ 335,601	\$ 73,038	\$ 736,999
State sources	1,898,450	-	6,634	1,905,084
Federal sources	80,636	-	63,082	143,718
Total revenues	<u>2,307,446</u>	<u>335,601</u>	<u>142,754</u>	<u>2,785,801</u>
EXPENDITURES:				
Instruction	1,679,531	-	-	1,679,531
Supporting services	873,453	-	-	873,453
Debt service	-	292,520	-	292,520
Capital projects	-	-	9,990	9,990
School food service	-	-	141,819	141,819
Athletics	-	-	59,112	59,112
Total expenditures	<u>2,552,984</u>	<u>292,520</u>	<u>210,921</u>	<u>3,056,425</u>
Excess (deficiency) of revenue over expenditures	<u>(245,538)</u>	<u>43,081</u>	<u>(68,167)</u>	<u>(270,624)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(110,312)	-	110,312	-
Incoming transfers - other schools	10,680	-	-	10,680
Transfers to other districts	(13,798)	-	-	(13,798)
Bond payments	-	(135,000)	-	(135,000)
Total other financing sources (uses)	<u>(113,430)</u>	<u>(135,000)</u>	<u>110,312</u>	<u>(138,118)</u>
NET CHANGE IN FUND BALANCE	(358,968)	(91,919)	42,145	(408,742)
FUND BALANCES - BEGINNING OF YEAR	<u>1,202,846</u>	<u>165,279</u>	<u>84,404</u>	
FUND BALANCES - END OF YEAR	<u>\$ 843,878</u>	<u>\$ 73,360</u>	<u>\$ 126,549</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(119,238)
Accrued expenses are recorded in the statement of activities when incurred it is not reported in governmental funds until paid	21,155
Capital lease proceeds provide current financial resources is an expenditure in the governmental funds, but not in the statement of activities (where it increases long-term debt)	(708)
Repayment of bond/lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>(135,000)</u>
Change in net assets of governmental activities	<u>\$ (371,117)</u>

The accompanying notes to financial statements are an integral part of this statement.

CHASSELL TOWNSHIP SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Fiduciary Fund</u>
ASSETS:	
Cash and investments	\$ <u>30,883</u>
LIABILITIES:	
Due to student groups	\$ <u>30,883</u>

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Chassell Township Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

REPORTING ENTITY

Chassell Township Schools (the "District") is governed by the Chassell Township Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designated management, the ability to significantly influence operations, and the primary accountability for fiscal manners. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does not allocate indirect costs.

The government-wide focus is more on the sustain ability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service, and Athletic Activities.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the School District's capital structures.

Fiduciary Fund - The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities). Fiduciary funds are not included in the government-wide statements.

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Cash and cash equivalents

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standard also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Property Taxes

Property taxes levied by the District are collected by Chassell Township and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund - Non-homestead	17.9467
Debt service fund - Homestead and non-homestead	7.65

Receivables and Payables

Activity between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

Inventory in the School District's Special Revenue Fund consists of food, a la carte items, and USDA Commodities totaling \$6,431. The School District utilizes the consumption method of recording inventories of food supplies in the School Food Service Fund. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

All other funds utilize the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits

The liabilities for compensated sick and retirement incentive reported in the government-wide statements in the amount of \$166,645, consisted of sick leave balances and retirement incentives.

Sick Leave - Substantially all District employees are allowed to accumulate sick days to a maximum of 160 days. Employees with over twenty-five years of employment are paid \$15 per day for accrued sick days upon retirement. At June 30, 2007, accumulated unpaid sick leave was \$4,645.

Retirement Incentive - The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers when the number of years of service to the District and one's age total 80. The maximum benefit is \$5,000 and is reduced each year after eligibility by \$1,000 until zero is reached. As of June 30, 2007 no one qualified for the early retirement incentive.

In February 2007 the Board voted to offer a voluntary severance package of \$45,000 to be paid over four years, a one time offer. To be eligible, teachers must have 12 years of experience teaching in any district, and be eligible to retire under MPERS guidelines. Teachers must have resigned by April 16, 2007 effected after the last day of 2006-07 school year. As of June 30, 2007 four teachers accepted the voluntary severance package totaling \$180,000. The District paid out \$18,000 as of June 30, 2007. For the 2007-08 fiscal year the current portion is \$74,303 and \$87,697 thereafter.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

As of June 30, 2007 the District had the following investments:

Investment	Fair Value	Rating
Michigan Liquid Asset Fund	\$ 501,255	S&P AAAm

Interest Rate Risk - In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$8,686 of the District's bank balance of \$370,023 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE C - CASH AND INVESTMENTS (Continued)

At year-end, the School District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the School District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 336,020	\$ 0	\$ 336,020
Restricted cash	54,565	30,883	85,448
Total cash and cash equivalents	390,585	30,883	421,468
Investments	501,255	0	501,255
Total deposits and investments	<u>\$ 891,840</u>	<u>\$ 30,883</u>	<u>\$ 922,723</u>

NOTE D - FIXED ASSETS

Fixed Asset activity of the School District's governmental activities was as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Land	\$ 60,002	\$ 0	\$ 0	\$ 60,002
Building and additions	3,200,989	0	0	3,200,989
Improvements other than building	417,775	0	0	417,775
Equipment and furniture	449,686	34,061	0	483,747
School buses	206,997	0	0	206,997
Vehicles	13,410	0	0	13,410
Subtotal	<u>4,348,859</u>	<u>\$ 34,061</u>	<u>\$ 0</u>	<u>4,382,920</u>
Accumulated depreciation:				
Building and additions	916,531	76,782	0	993,313
Improvements other than building	271,489	20,874	0	292,363
Equipment and furniture	266,625	38,298	0	304,923
School buses	151,723	15,669	0	167,392
Vehicles	978	1,676	0	2,654
	<u>1,607,346</u>	<u>\$ 153,299</u>	<u>\$ 0</u>	<u>1,760,645</u>
Net capital assets	<u>\$ 2,741,513</u>			<u>\$ 2,622,275</u>

Depreciation expense was charged to governmental activities of the School District as follows:

Athletic	\$ 5,349
School Food Service	1,924
Instruction	124,472
Operations	5,885
Transportation	15,669
TOTAL	<u>\$ 153,299</u>

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE E - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2007 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 1,486	General	\$ 28,728
Athletics	3,728	School Food Service	1,486
Capital Projects	25,000	Athletic	0
TOTAL	\$ 30,214	TOTAL	\$ 30,214

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	\$ 0	General	\$ 110,312
Capital Projects	50,000	Capital Projects	0
School Food Service	11,387	School Food Service	0
Athletic	48,925	Athletic	0
TOTAL	\$ 110,312	TOTAL	\$ 110,312

NOTE F - LONG TERM DEBT

2004 Advance Refunding

On February 9, 2004, the School District issued \$2,350,000 of unlimited tax general obligation bonds to advance refund \$2,255,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to pay off the 1994 Advance Refunding Bonds dated January 12, 1994 and the 1995 School Building and Site Bonds dated March 1, 1995.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 2.00% to 4.25% per annum. Interest payments started on May 1, 2004, and are payable semi-annually on May 1 and November 1 as indicated. The bonds are to be both term and serial. Bonds or portions of bonds maturing on or after May 1, 2015, shall be subject to redemption at the option of the School Board in multiples of \$5,000 in such order as the School District may determine, by lot within any maturity, on any date occurring on or after May 1, 2014, at par and accrued interest to the date fixed for redemption.

<u>Payable School Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2007-2008	\$ 34,788	\$ 34,788	\$ 135,000	\$ 204,576
2008-2009	33,100	33,100	135,000	201,200
2009-2010	31,075	31,075	135,000	197,150
2010-2011	29,050	29,050	140,000	198,100
2011-2012	26,950	26,950	140,000	193,900
2012-2013	24,710	24,710	140,000	189,420
2013-2018	85,330	85,330	700,000	870,660
2018-2021	17,745	17,745	420,000	455,490
TOTAL	\$ 282,748	\$ 282,748	\$ 1,945,000	\$ 2,510,496

School Bond Loan Fund

During the year ended June 30, 2007, the School District did not borrow funds from the Michigan School Bond Loan Fund. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can loan the school district funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. At June 30, 2007, the balance due to the School Bond Loan Fund was \$967,130 including accrued interest of \$188,873.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE F - LONG TERM DEBT (Continued)

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the School District's 1995 bond issue. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans from the school bond loan fund is established periodically by the State Administrative Board. The rate at June 30, 2007 was 4.75%.

Capital Lease Agreements

On December 12, 2005, the District entered into a capital lease agreement with Reinhart Foodservice in the amount of \$3,540 for an American Dish Service L-90-3DW dishwasher. This lease has fixed monthly payments of \$59 which does not include interest. The lease will expire in December 2010, at which time the District will legally own the dishwasher. The following is a schedule of the lease payments:

Payable School Year	Total
2007-2008	\$ 708
2008-2009	708
2009-2010	708
2010-2011	354
TOTAL	<u>\$ 2,478</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2007:

	Balance June 30, 2006	Increase	Decrease	Balance June 30, 2007	Current Portion
Bonds	\$ 2,080,000	\$ 0	\$ 135,000	\$ 1,945,000	\$ 135,000
Capital Lease	3,186	0	708	2,478	708
School Bond Loan	778,257	0	0	778,257	0
	<u>2,861,443</u>	<u>0</u>	<u>135,708</u>	<u>2,725,735</u>	<u>\$ 135,708</u>
Accrued Interest	366,307	171,636	0	537,943	
Accrued Benefits	16,164	150,481	0	166,645	\$ 74,303
TOTAL	<u>\$ 3,243,914</u>	<u>\$ 322,117</u>	<u>\$ 135,708</u>	<u>\$ 3,430,323</u>	

As of June 30, 2007, the aggregate maturities of long-term debt for the next five years are as follows:

Payable School Year	Interest	Principal	Total
2007-2008	\$ 69,576	\$ 135,708	\$ 205,284
2008-2009	66,200	135,708	201,908
2009-2010	62,150	135,708	197,858
2010-2011	58,100	140,354	198,454
2011-2012	53,900	140,000	193,900
2012-2013	49,420	140,000	189,420
2013-2018	170,660	700,000	870,660
2018-2021	391,954	1,198,257	1,590,211
TOTAL	<u>\$ 921,960</u>	<u>\$ 2,725,735</u>	<u>\$ 3,647,695</u>

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE G - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or at age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 16.34% of covered compensation through September 30, 2006 and 17.74% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$257,970 and equaled the required contributions.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPERS and employers. The MPERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2006 for the MPERS as a whole, the actuarial accrued liability was \$48.2 billion. The pension plan net assets were \$43 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 89%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2007 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPERS' September 30, 2006 annual report.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employees. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE G - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

NOTE H - RESERVED FUND BALANCE

The Debt Retirement Fund has a reserved fund balance for the retirement of debt.

NOTE I - FOUNDATION REVENUE

Effective as of fiscal year 1994-95 the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. The foundation allowance is based on the average of pupil membership counts taken in February and September of the previous year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The school district levies 18 mills for non-homestead property taxes. State revenue recognized during the foundation period (currently the fiscal year) is as follows:

2006-07 Foundation	\$	7,085.00
Non-Homestead Tax Value	12,160,821	
Multiplied by mills	<u>0.018</u>	
Total Local Support	218,895	
Divided by General Education K-12 membership	<u>282.78</u>	
Calculated Local Support		<u>(774.08)</u>
Foundation Grant Allowance Per Pupil	\$	<u>6,310.92</u>

NOTE J - RECONCILIATION OF MDE GRANT REPORTS

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 19 as follows:

Total current payments per MDE grant reports	\$	157,927
Less State School Breakfast grant		(2,933)
Less prior year accounts receivables		(48,103)
Plus:		
USDA Commodities		2,601
Federal grants from other sources		<u>34,226</u>
Total Federal Financial Assistance	\$	<u>143,718</u>

The School District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2007 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

CHASSELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE K - CONTINGENT LIABILITIES

Risk Pool

Chassell Township Schools is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Chassell Township Schools joined together with other school districts currently operating a common risk management and insurance program. Chassell Township Schools pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Chassell Township Schools continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2007, which can be obtained through the School District.

NOTE L - SUBSEQUENT EVENTS

On September 21, 2007 the District entered into an installment purchase agreement for new lighting and a new heating system for the school. The financed price is \$280,000 with eleven yearly installments of \$32,000 commencing on September 21, 2008 and each year thereafter.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

CHASSELL TOWNSHIP SCHOOLS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 292,750	\$ 297,545	\$ 328,360	\$ 30,815
State sources	1,895,552	1,897,007	1,898,450	1,443
Federal sources	73,675	88,942	80,636	(8,306)
TOTAL REVENUE	<u>2,261,977</u>	<u>2,283,494</u>	<u>2,307,446</u>	<u>23,952</u>
EXPENDITURES:				
Instruction	1,647,500	1,689,778	1,679,531	10,247
Supporting services	873,375	909,563	873,453	36,110
TOTAL EXPENDITURES	<u>2,520,875</u>	<u>2,599,341</u>	<u>2,552,984</u>	<u>46,357</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(258,898)	(315,847)	(245,538)	70,309
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	12,500	10,680	10,680	-
Operating transfers out	(125,810)	(115,125)	(110,312)	4,813
Other outgoing transfers	-	(13,800)	(13,798)	2
Total other financing sources (uses)	<u>(113,310)</u>	<u>(118,245)</u>	<u>(113,430)</u>	<u>4,815</u>
NET CHANGE IN FUND BALANCE	<u>\$ (372,208)</u>	<u>\$ (434,092)</u>	<u>(358,968)</u>	<u>\$ 75,124</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,202,846</u>	
FUND BALANCE - END OF YEAR			<u>\$ 843,878</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

CHASSELL TOWNSHIP SCHOOLS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
With Comparative Amounts for Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Taxes	\$ 219,675	\$ 214,120	\$ 5,555	\$ 206,354
Other local sources:				
Investment revenue	40,700	43,699	(2,999)	34,861
Contributions	430	20,433	(20,003)	-
Miscellaneous	36,740	50,108	(13,368)	73,785
Total other local sources	77,870	114,240	(36,370)	108,646
Total local sources	297,545	328,360	(30,815)	315,000
State sources:				
Unrestricted grant - State Aid	1,800,325	1,801,764	(1,439)	1,788,096
Restricted grants:				
Vocational Education	2,402	2,402	-	653
Special Education	33,165	33,171	(6)	34,833
At-Risk	51,730	51,726	4	65,374
Other state revenue	9,385	9,387	(2)	1,000
Total restricted grants	96,682	96,686	(4)	101,860
Total state sources	1,897,007	1,898,450	(1,443)	1,889,956
Federal sources:				
Title I	33,134	33,134	-	33,134
Title V	1,233	606	627	1,876
Title II	12,670	12,670	-	12,819
Other federal sources	41,905	34,226	7,679	35,256
Total federal sources	88,942	80,636	8,306	83,085
TOTAL REVENUES	2,283,494	2,307,446	(23,952)	2,288,041
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	572,578	563,559	9,019	513,242
High School	886,840	886,805	35	835,878
Total basic program	1,459,418	1,450,364	9,054	1,349,120
Added needs:				
Special Education	124,785	120,605	4,180	100,811
Compensatory education	30,710	33,137	(2,427)	42,910
At-Risk	74,865	75,425	(560)	72,338
Total added needs	230,360	229,167	1,193	216,059
Total instruction	1,689,778	1,679,531	10,247	1,565,179

CHASSELL TOWNSHIP SCHOOLS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Continued)
Year Ended June 30, 2007
With Comparative Amounts for Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
Supporting services:				
Guidance	<u>81,255</u>	<u>75,769</u>	<u>5,486</u>	<u>73,546</u>
Instructional staff:				
Improvement of instruction	<u>14,905</u>	<u>12,804</u>	<u>2,101</u>	<u>13,467</u>
Library	<u>24,600</u>	<u>21,464</u>	<u>3,136</u>	<u>21,493</u>
Total instructional staff	<u>39,505</u>	<u>34,268</u>	<u>5,237</u>	<u>34,960</u>
General administration:				
Board of education	<u>48,940</u>	<u>49,334</u>	<u>(394)</u>	<u>46,004</u>
Executive administration	<u>192,720</u>	<u>193,537</u>	<u>(817)</u>	<u>180,126</u>
Total general administration	<u>241,660</u>	<u>242,871</u>	<u>(1,211)</u>	<u>226,130</u>
School administration - Principal	<u>149,220</u>	<u>147,250</u>	<u>1,970</u>	<u>145,993</u>
Business-fiscal services	<u>65,903</u>	<u>66,095</u>	<u>(192)</u>	<u>66,497</u>
Operation & maintenance	<u>214,090</u>	<u>201,316</u>	<u>12,774</u>	<u>218,216</u>
Pupil transportation	<u>95,155</u>	<u>82,763</u>	<u>12,392</u>	<u>82,828</u>
Central support	<u>22,775</u>	<u>23,121</u>	<u>(346)</u>	<u>-</u>
Total supporting services	<u>909,563</u>	<u>873,453</u>	<u>36,110</u>	<u>848,170</u>
TOTAL EXPENDITURES	<u>2,599,341</u>	<u>2,552,984</u>	<u>46,357</u>	<u>2,413,349</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(315,847)</u>	<u>(245,538)</u>	<u>(70,309)</u>	<u>(125,308)</u>
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	<u>10,680</u>	<u>10,680</u>	<u>-</u>	<u>19,528</u>
Operating transfer out	<u>(115,125)</u>	<u>(110,312)</u>	<u>(4,813)</u>	<u>(115,997)</u>
Sale of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,278</u>
Other outgoing transfers	<u>(13,800)</u>	<u>(13,798)</u>	<u>(2)</u>	<u>(6,055)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(118,245)</u>	<u>(113,430)</u>	<u>(4,815)</u>	<u>(98,246)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (434,092)</u>	<u>(358,968)</u>	<u>\$ (75,124)</u>	<u>(223,554)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,202,846</u>		<u>1,426,400</u>
FUND BALANCE, END OF YEAR		<u>\$ 843,878</u>		<u>\$ 1,202,846</u>

CHASSELL TOWNSHIP SCHOOLS
DEBT RETIREMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007
With Comparative Amounts for Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Current taxes	\$ 326,970	\$ 328,125	\$ (1,155)	\$ 305,144
Interest income	4,350	4,756	(406)	8,246
Other taxes	<u>2,720</u>	<u>2,720</u>	<u>-</u>	<u>546</u>
TOTAL REVENUES	<u>334,040</u>	<u>335,601</u>	<u>(1,561)</u>	<u>313,936</u>
EXPENDITURES:				
Interest on bonds	293,000	292,275	725	74,975
Other expenses	<u>250</u>	<u>245</u>	<u>5</u>	<u>225</u>
TOTAL EXPENDITURES	<u>293,250</u>	<u>292,520</u>	<u>730</u>	<u>75,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,790	43,081	(2,291)	238,736
OTHER FINANCING SOURCES (USES):				
Redemption of bond principal	<u>(135,000)</u>	<u>(135,000)</u>	<u>-</u>	<u>(135,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (94,210)</u>	<u>(91,919)</u>	<u>\$ (2,291)</u>	<u>103,736</u>
FUND BALANCE, BEGINNING OF YEAR		<u>165,279</u>		<u>61,543</u>
FUND BALANCE, END OF YEAR		<u>\$ 73,360</u>		<u>\$ 165,279</u>

CHASSELL TOWNSHIP SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
June 30, 2007

	Capital Projects	School Food Service	Athletic	Totals (Memorandum Only)	
				2007	2006
ASSETS AND OTHER DEBITS:					
Cash	\$ 1,549	\$ 60	\$ 76	\$ 1,685	\$ 84,989
Investments	100,000	-	-	100,000	-
Receivables	-	36	746	782	2,223
Inventory	-	6,431	-	6,431	4,478
Prepays	-	-	580	580	-
Due from other funds	25,000	-	3,728	28,728	1,072
Due from other governmental units	-	850	-	850	973
TOTAL ASSETS	\$ 126,549	\$ 7,377	\$ 5,130	\$ 139,056	\$ 93,735
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 4,648	\$ 4,648	\$ -
Accrued expenses	-	4,455	482	4,937	6,532
Deferred revenue	-	1,436	-	1,436	1,128
Due to other funds	-	1,486	-	1,486	1,671
TOTAL LIABILITIES	-	7,377	5,130	12,507	9,331
FUND EQUITY:					
Fund balance - unreserved	126,549	-	-	126,549	84,404
TOTAL LIABILITIES & FUND EQUITY	\$ 126,549	\$ 7,377	\$ 5,130	\$ 139,056	\$ 93,735

CHASSELL TOWNSHIP SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2007

With Comparative Amounts for the Year Ended June 30, 2006

	Capital Projects	School Food Service	Athletic	Totals (Memorandum Only)	
				2007	2006
REVENUES:					
Local sources	\$ 2,135	\$ 60,716	\$ 10,187	\$ 73,038	\$ 79,060
State sources	-	6,634	-	6,634	8,529
Federal sources	-	63,082	-	63,082	59,729
Total revenues	2,135	130,432	10,187	142,754	147,318
EXPENDITURES:					
Capital projects	9,990	-	-	9,990	51,710
School food service	-	141,819	-	141,819	150,907
Athletics	-	-	59,112	59,112	61,986
Total expenditures	9,990	141,819	59,112	210,921	264,603
Excess (deficiency) of revenue over expenditures	(7,855)	(11,387)	(48,925)	(68,167)	(117,285)
OTHER FINANCING SOURCES (USES):					
Lease Proceeds	-	-	-	-	3,540
Operating transfers in (out)	50,000	11,387	48,925	110,312	115,997
TOTAL FINANCING SOURCES (USES)	50,000	11,387	48,925	110,312	119,537
EXCESS (DEFICIENCY) OF FINANCING SOURCES (USES) OVER EXPENDITURES	42,145	-	-	42,145	2,252
FUND BALANCES - BEGINNING OF YEAR	84,404	-	-	84,404	82,152
FUND BALANCES - END OF YEAR	\$ 126,549	\$ -	\$ -	\$ 126,549	\$ 84,404

CHASSELL TOWNSHIP SCHOOLS
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
With Comparative Amounts for Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Contributions	\$ -	\$ 1,162	\$ (1,162)	\$ -
Interest	975	973	2	1,072
TOTAL REVENUE	975	2,135	(1,160)	1,072
EXPENDITURES:				
Buildings and additions	-	-	-	51,710
Equipment and furniture	-	9,970	(9,970)	-
Vehicles	-	20	(20)	-
TOTAL EXPENDITURES	-	9,990	(9,990)	51,710
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	975	(7,855)	8,830	(50,638)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	50,000	50,000	-	52,890
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 50,975	42,145	\$ 8,830	2,252
FUND BALANCE, BEGINNING OF YEAR		84,404		82,152
FUND BALANCE, END OF YEAR		\$ 126,549		\$ 84,404

CHASSELL TOWNSHIP SCHOOLS
SCHOOL FOOD SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007
With Comparative Amounts for Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 4,100	\$ 4,167	\$ (67)	\$ 2,876
A-La-Carte	21,000	21,432	(432)	17,605
Student lunches	23,200	22,546	654	31,063
Miscellaneous	13,000	12,571	429	15,745
Total local sources	<u>61,300</u>	<u>60,716</u>	<u>584</u>	<u>67,289</u>
State sources	<u>7,605</u>	<u>6,634</u>	<u>971</u>	<u>8,529</u>
Federal sources:				
School lunch program	57,000	60,481	(3,481)	57,413
USDA entitlements	3,000	2,464	536	1,781
USDA bonus entitlements	800	137	663	535
Total federal sources	<u>60,800</u>	<u>63,082</u>	<u>(2,282)</u>	<u>59,729</u>
TOTAL REVENUES	<u>129,705</u>	<u>130,432</u>	<u>(727)</u>	<u>135,547</u>
EXPENDITURES:				
Salaries	49,980	49,533	447	48,484
Employee benefits	14,460	14,829	(369)	13,360
Purchase services	2,425	3,013	(588)	5,331
Supplies, materials, and other	78,900	74,444	4,456	83,034
Capital outlay	1,300	-	1,300	698
TOTAL EXPENDITURES	<u>147,065</u>	<u>141,819</u>	<u>5,246</u>	<u>150,907</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,360)	(11,387)	(5,973)	(15,360)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	17,360	11,387	5,973	11,820
Capital lease proceeds	-	-	-	3,540
TOTAL FINANCING SOURCES (USES)	<u>17,360</u>	<u>11,387</u>	<u>5,973</u>	<u>15,360</u>
EXCESS (DEFICIENCY) OF FINANCING SOURCES (USES) OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ -</u>		<u>\$ -</u>

CHASSELL TOWNSHIP SCHOOLS
ATHLETIC FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007
With Comparative Amounts for Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Gate receipts	\$ 8,675	\$ 8,676	\$ (1)	\$ 9,209
Other	930	1,511	(581)	1,490
TOTAL REVENUES	<u>9,605</u>	<u>10,187</u>	<u>(582)</u>	<u>10,699</u>
EXPENDITURES:				
Salaries	27,520	26,993	527	35,040
Employee benefits	7,425	6,725	700	8,262
Purchase services	15,870	19,479	(3,609)	13,543
Supplies, materials, and other	5,580	4,940	640	5,141
Capital outlay	975	975	-	-
TOTAL EXPENDITURES	<u>57,370</u>	<u>59,112</u>	<u>(1,742)</u>	<u>61,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(47,765)	(48,925)	1,160	(51,287)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>47,765</u>	<u>48,925</u>	<u>(1,160)</u>	<u>51,287</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ -</u>		<u>\$ -</u>

CHASSELL TOWNSHIP SCHOOLS
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2007

	Balance July 1, 2006	Receipts	Disbursements	Balance June 30, 2007
ASSETS:				
Cash	\$ 36,562	\$ 50,354	\$ 56,033	\$ 30,883
LIABILITIES:				
Due to Student Groups:				
Assembly	\$ 2,372	\$ 5,706	\$ 5,481	\$ 2,597
Class of 2007	10,467	10,601	21,068	0
Class of 2008	2,811	6,790	2,015	7,586
Class of 2009	354	2,236	1,249	1,341
Class of 2010	0	2,688	953	1,735
Class of 2012	630	452	1,082	0
Class of 2013	0	1,662	1,126	536
Yearbook	4,089	8,865	8,927	4,027
Elementary Fund	5,088	1,863	1,777	5,174
Elementary Playground	277	0	0	277
Homecoming	162	0	162	0
Student Council	367	960	748	579
Van Westenberg	6,000	0	2,000	4,000
Littlefield	106	0	0	106
SADD	130	0	0	130
Drama	301	0	0	301
Magazine Fund	4	3,327	3,272	59
Quiz Bowl	398	280	29	649
Band Equipment	28	0	0	28
Band	515	500	761	254
Robotics	0	70	0	70
Physics Field Trip	1,421	2,083	3,354	150
Athletic Fund	1,042	2,271	2,029	1,284
TOTAL LIABILITIES	\$ 36,562	\$ 50,354	\$ 56,033	\$ 30,883



Bruce A Rukkila, CPA, PC



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LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Chassell Township Schools
Chassell, Michigan

In planning and performing our audit of the financial statements of Chassell Township Schools for the year ended June 30, 2007, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

The comments and suggestions regarding those matters follow. This letter does not affect our report dated October 11, 2007, on the financial statements of Chassell Township Schools.

Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

It has been a pleasure to provide audit services to the Chassell Township Schools. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 11, 2007